Industrial Distribution

August 1985

Hotline:
Counterfeit industrial products a growing problem for distributors

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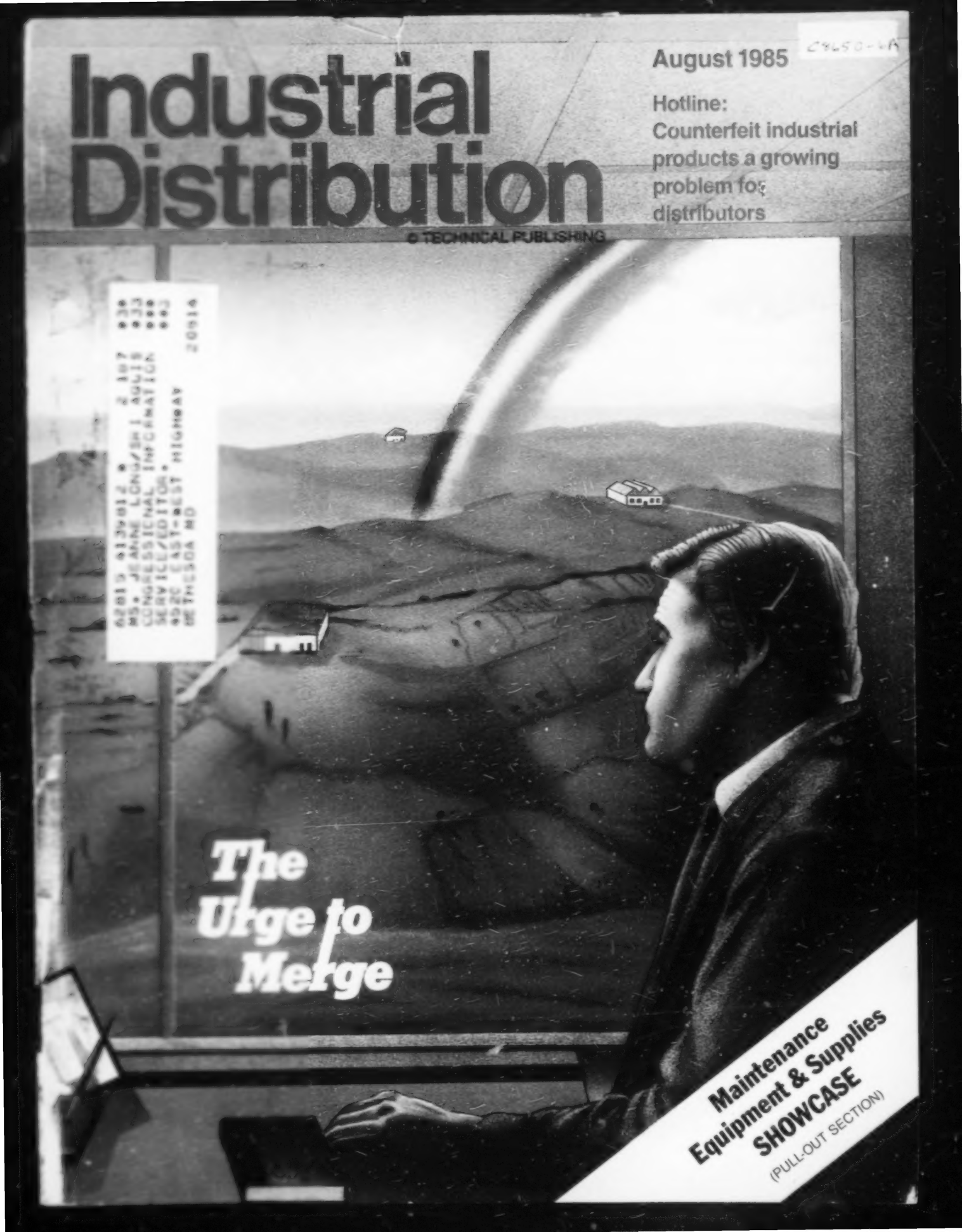

The Urge to Merge

Maintenance Equipment & Supplies SHOWCASE
(PULL-OUT SECTION)

ID Industrial Distribution

VOL. 74 NO. 8/74th yr. A TECHNICAL PUBLISHING PUBLICATION AUGUST 1985

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M1
MAINTENANCE EQUIPMENT AND SUPPLIES **SHOWCASE**

Distributor Product Showcase

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THE URGE TO MERGE

Many distributors are feeling the urge.

Cover illustration: Mark Caparosa

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You can't take it with you.

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"High-tech" distributor van helps customers learn as they travel; Low volume electronic shipping scale; Guide for selecting company's legal firm; Are quality circles right for your company?; Easy to follow steps to reduce pilferage; Guide offers facts on metal building systems.

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INDUSTRY NEWS...

Maintenance, repairs biggest auto problems says new study

ROCHESTER, WI—The cost of maintenance and repairs is the fleet managers number one concern says a survey of 1422 executives conducted by Runzheimer International, the management consulting firm.

According to Runzheimer's *1985-1986 Survey and Analysis of Business Car Policies and Costs*, 29% of the respondents pinpointed maintenance and repairs ahead of driver morale and vehicle disposal as their primary concern.

At the same time, participants in the survey named "cost efficiency" as the number one fleet objective.

This sixth biennial edition of the study which costs $296 and is 400 pages in length, is available from Runzheimer International, Runzheimer Park, Rochester, WI 53167.

In response to the question, "Which of the following will be your greatest business car problem during 1985?" the answers were as follows:

	% of respondents				
Problem	**1985**	**1983**	**1981**	**1979**	**1977**
Cost of maintenance and repairs	29	31	11	19	19
Driver morale	19	4	7	8	9
Vehicle disposal	14	9	5	3	5
Personal use chargebacks	8	3	NA	NA	NA
Cost of money (financing)	7	8	NA	NA	NA
New car prices	6	20	6	8	9
Vehicle selection	4	10	6	5	7
Cost of gasoline	3	5	21	14	18
Miscellaneous problems	10	10	44	43	33
Total	**100**	**100**	**100**	**100**	**100**

15,000 distributors' operating data in 11 new directories

NEW YORK—Eleven directories with listings of more than 15,000 distributors has been prepared by **ID** from its 1985 census.

Called the *ID 1985/1986 Directory of Industrial Distributors*, a separate directory is available for each of 10 related product groups which shows all distributors who stock these lines plus distributors who specialize in them.

Directories are available for: cutting tools and abrasives; hand tools and powered hand tools; machine tools and accessories and other powered shop equipment and quality control; pipe, tubing, valves and fittings and fluid power; power transmission products, bearings, and electric and electronic; materials handling equipment; industrial rubber and plastic products; fasteners; safety and security supplies, contractors supplies and facility maintenance; welding equipment and supplies and maintenance repair and operating. The 11th volume comprises a cross-section of 10,000 distributors who stock

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INDUSTRY NEWS...

Capital goods trade fair slated for Cleveland in October

CLEVELAND—Billed by its promoters as the largest trade fair ever held in the U.S., the *1985 International Capital Goods Trade Fair* will open its inaugural show in Cleveland on October 18 and run through October 27.

The fair will feature exhibitors in capital goods categories that include: machine tools, robotics, plastics processing machinery, material handling systems, plant maintenance and operation equipment, computers and others.

A series of seminars, lectures and conferences will also be available to participants in conjunction with the trade fair.

The fair will be held at Cleveland's new International Exposition and Trade Center, the largest single building exposition center in the world containing 2.5 million sq. ft.

Information concerning the trade fair can be obtained from: 1985 International Capital Goods Trade Fair, 6200 Riverside Dr., Cleveland, OH 44135. □

Forty ft ceilings and 300 ft clear spans are features of the 2.5 million sq ft International Exposition and Trade Center located in Cleveland, OH.

American Chain Assn. asks FTC to check flag ad for deception

ROCKVILLE, MD—The American Chain Assn. (ACA) has requested that the Federal Trade Commission investigate whether advertising placed by Peer Chain, Wheeling, IL constitutes "deception and unfair competition."

The ads, which feature roller chain manufactured in Taiwan and sold in the U.S. by Peer Chain, show a military figure composed of chain saluting a large red, white and blue American flag, according to the FTC petition filed by the ACA.

Commenting on the petition, Raymond J. Lloyd, ACA's executive secretary, noted that "The Commission has long made clear that the country of origin of an article may not be misrepresented and it has issued cease and desist orders against advertising that deceptively depicts flags and other national symbols of a country other than the country of origin."

Lloyd went on to say that "the depiction of a large American flag and a military figure saluting the American flag unambiguously connotes American origin," citing several FTC rulings and opinions regarding the deceptive nature of such advertising.

According to the ACA, roller chain imported from Taiwan into the U.S. has nearly tripled in the last four years, rising from less than 6% in 1980 to about 17% in 1984. The association claims that approximately $12.4 million worth of Taiwanese roller chain was imported last year. □

Buford Bros. acquires Rogers-Bailey Supply

NASHVILLE, TN—Buford Bros. Inc., the Nashville based industrial supply and equipment firm that owns Browning Belting of Chattanooga, TN has acquired Rogers-Bailey Supply Co. in that city. The two merged companies have been re-named Rogers Bailey & Browning.

Thomas Ritter, president of Buford Bros. said that the acquisition will provide the company's customers with access to more than $5 million of inventory in Chattanooga, Nashville, and Knoxville, TN.

At the same time, it was announced that Steve Rusmisell has been appointed president of Rogers-Bailey & Browning.

Rusmisell, a graduate of the University of North Carolina, began his career with Tidewater Supply Co., leaving to join Joy Manufacturing as regional sales manager. □

Indicators . . .

For the second month in a row and only the second time in 15 months, all three key indices once again advanced simultaneously for the current period. The NIDA/SIDA *Industrial Distribution Index* rose 6.9 points in May compared to April. The big increase came from the Western region which jumped ahead by 10 points, followed by the South which rose by 7.6, the East by 2.8 and, finally, the Midwest by 1.3. In May '85/May '84 comparisons, the national figure is 12.7 points ahead of last year while the South shows the greatest regional increase by rising 17.6 . . . the SIDA Monthly *Sales Trend Report* for April moved ahead of March by an average of 3.83 for all regions fueled by an 8.93 improvement in Area 4 which comprises AR, LA, OK, and TX. In other regions, Area 2 (FL, GA, SC, Puerto Rico) gained 5.58 points and Area 3 (AL, KY, MS, TN) stayed essentially flat moving ahead just 0.62. Area 1 consisting of NC, VA and WV was the only disappointment in SIDA's April sales, dropping 1.94 from the previous month. Comparing year-to-date '85 with year-to-date '84, the average of all four areas is up 4.97 with area 3 showing the strongest improvement by growing 11.24 over the same period last year . . . ASMMA's *New Order Index* for the month of April rose a scant 0.2 to 118.6 in March. While this is the highest figure registered in the last three months, it is lower than the January Index of 119.2 and lower than all but three months (March, April and October) in 1984. The April '84 and April '83 levels were 116.1 and 88.2 respectively . . . According to the National Welding Supply Assn., its *Welding Supply Index* which, the association said has been "spirited" from the start of the year, is now beginning to "sizzle." The April Index figure advanced 13.3 points over last month to a healthy 213.0 producing a 17.2% YTD improvement over 1984. The current figure is the highest level recorded in the last 52 months. All components of the Index, gas, equipment, expendables and other supplies, showed growth in April compared to March.

REGIONAL REPORT

May sales at two-year low

After a brief respite in April, distributor sales fell again in May—the third time in the past four months (see graph). Down eight percentage points from April's figure, May barely held to the plus side, up only 1% compared to May '84. This is the lowest sales has been since the recovery began in distribution in May '83.

Three regions reported negative sales figures for May: West South Central—off 16%, New England—off 3%, and South Atlantic—off 1%. The strongest region was East North Central—up 7%.

Month-to-month figures, reflective of the most immediate sales trend, was spotted with minus signs. In regions, New England, West South Central and Pacific were down, and in areas, Massachusetts and Upstate New York were in the negative column. The largest regional drops were West South Central and Pacific at 9%; the largest rise was East North Central at 8%. In areas, the steepest drop was Upstate New York, down 6%; the best gain, Wisconsin and Michigan, both up 9%

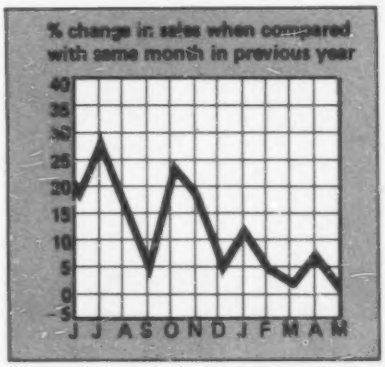
Cumulative figures for the first five months of '85 compared to '84 held steady at a gain of 6%, the same as in April but three percentage points less than the February and March gains of 9%. Cumulative figures are usually the last to reflect a trend in either direction.

In regions, the best gain was East North Central, up 10%; biggest drop was West South Central's 10%.

Receivables show little change. □

RECEIVABLES*	May 1985		vs. May 1984	
	Gen.	Spec.	Gen.	Spec.
New England	47	44	43	45
Middle Atlantic	43	45	41	45
South Atlantic	35	35	34	34
East North Central	40	42	38	41
East South Central	42	—	33	—
West North Central	—	38	—	38
West South Central	—	37	—	38
Mountain	—	—	—	—
Pacific	38	43	38	43
National	41	41	38	41

*Average days outstanding



Sales fall in May . . .

SALES BY REGIONS (% change)	May, 1985 vs. April, 1985 Gen.	Spec.	Both	May, 1985 vs. May, 1984 Gen.	Spec.	Both	First 5 months of '85 vs. First 5 months of '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	-3	0	-2	-5	0	-3	+3	+8	+5
Connecticut	-8	—	—	-10	—	—	+1	—	—
Massachusetts	-6	-1	-3	-1	-1	-1	+6	+8	+7
MIDDLE ATLANTIC: NY, NJ, PA	+1	+6	+4	+4	+4	+4	+20	-1	+7
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	-3	-10	-6	+19	-14	+5	+20	+2	+12
Pennsylvania	+1	+4	+2	+7	+1	+4	+7	+7	+7
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	+3	+9	+6	-3	+1	-1	+3	+1	+3
Georgia—Florida	—	—	—	—	—	—	—	—	—
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+1	+13	+8	-2	+14	+7	+4	+14	+10
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+6	+10	+9	-6	+6	+4	-6	+7	+4
Chicago	—	—	—	—	—	—	—	—	—
Michigan	-3	+20	+9	-3	+15	+7	—	—	—
Ohio	+6	+4	+5	+4	+11	+8	+8	+12	+10
EAST SOUTH CENTRAL: AL, MS, KY, TN	+3	—	—	+19	—	—	+20	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	-11	—	—	-14	—	—	+1	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	-5	-10	-9	-20	-15	-16	-11	-10	-10
Texas	—	-7	—	—	-13	—	—	-10	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	+25	—	—	-2	—	—	-4	—
PACIFIC: CA, OR, WA	-8	-10	-9	+10	-9	+4	+15	-3	+9
L.A.—San Diego	-8	—	—	+13	—	—	+12	—	—
Oregon—Washington	—	-13	—	—	-10	—	—	-9	—
U.S. TOTALS	-2	+4	+1	+1	+2	+1	+8	+4	+6

The market: profit and potential

Anybody who has ever done household cleaning knows the number of supplies needed just to clean one home. When it comes to keeping a manufacturing facility in top shape, the amount of materials and equipment needed is staggering. More than $250 billion per year is spent on a plant's systems, services, equipment and maintenance. By 1993, the figure is expected to rocket to $542 billion (see chart). Single out maintenance and replacement and the 1984 tab is $61.0 billion; by 1993, it could reach $137.2 billion.

One 1985 economic outlook survey on maintenance and repair expenditures indicates that the outlook for maintenance/repair budgets is relatively higher in the non-durable goods manufacturing sector as compared with the durable goods sector. However, the durable goods sector recorded a higher percent of increase for capital expenditures, indicating that the durable goods sector is more likely to purchase new equipment rather than maintaining existing equipment. The survey also showed that 53% of the respondents planned to increase budgets; 35% planned to spend the same as in '84. The overall outlook is an average 9% increase, and average dollar expenditure is $6.9 million. On maintenance staff and training, 21% will increase the size of their staff; 64% will remain the same as '84, and 89% foresee a need for greater technical skills or training.

Another study indicates that total annual sales of the maintenance supply distributor has exploded during recent years. In 1981, a typical distributor firm did a total business of $582,000. By 1982, this had increased to $620,000 and by 1983 it had further expanded to $735,000. □